

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION NO. W-4404

June 19, 2003

R E S O L U T I O N

**(RES. W-4404), SAN JOSE WATER COMPANY (SJWC).
ORDER AUTHORIZING AN OFFSET RATE INCREASE FOR
INCREASES IN THE COST OF PURCHASED WATER AND
PUMP TAX OF \$5,261,163 OR 4.17% IN ADDITIONAL
REVENUE.**

SUMMARY

By Advice Letter No. 342, filed April 18, 2003, SJWC seeks revision of tariff Schedules No. 1, General Metered Service, No. 1B, General Metered Service with Automatic Fire Sprinkler System, and No. 6, Resale Service, to provide for an increase in revenues of \$5,261,163 or 4.17%. This increase is a result of increased costs for purchased water and pump tax since SJWC's present rates became effective March 4, 2003. The offset rate increase will not result in a rate of return greater than last authorized for SJWC.

BACKGROUND

SJWC requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to offset: (1) a \$2,700,229 increase in purchased water costs, (2) a \$2,535,316 increase in pump tax expenses, and (3) \$25,618 in related increases in uncollectibles and franchise taxes. The higher costs for purchased water and pump tax will be imposed on SJWC by the Santa Clara Valley Water District (SCVWD) effective July 1, 2003.

SJWC serves approximately 212,000 metered customers in portions of the city of San Jose, Cupertino, Santa Clara, Los Gatos, Monte Sereno, Saratoga, and in contiguous areas in the County of Santa Clara. The present rates for SJWC became effective March 4, 2003, by Advice Letter No. 336, which authorized a offset rate increase pursuant to Res. W-4374. This resolution authorized a 0.43% rate increase to offset the increased costs experienced by SJWC due to the City of

San Jose transferring maintenance responsibility for the fire hydrants located within SJWC's service area to SJWC.

DISCUSSION

The reasons for the above changes are as follows:

Effective July 1, 2003, SCVWD will increase its purchased water rates from \$420/acre foot (AF) to \$460/AF and its pump tax rate from \$340/AF to \$375/AF. This increase results in a \$2,700,229 increase in purchased water costs for SJWC, and a \$2,535,316 increase in pump tax expenses.

The increases in SCVWD's purchased water cost and pump tax are directly related to water consumption and therefore the associated rate increase for SJWC shall be applied to the quantity rates. In order to recover the higher costs, SJWC will increase its quantity charge by \$0.0875/Ccf (One Ccf is equal to one-hundred cubic feet). The monthly bill for an average residential customer utilizing 1,500 cubic feet of water per month would increase by \$1.31 from \$34.79 to \$36.10, or 3.77%.

Service by SJWC is satisfactory. There are no Commission orders requiring system improvements nor are there any service problems requiring corrective action. SJWC is currently earning 8.53% on a recorded basis and 9.11% on a pro-forma basis, which do not exceed its authorized rate of return of 9.11%.

NOTICE AND PROTESTS

Notice of the proposed rate increase was published in the San Jose Mercury News, a newspaper of general circulation, on April 26, 2003, as evidenced by a Proof of Publication provided to the Water Branch by the utility. There were no protests concerning the proposed offset increase.

FINDINGS

1. Effective July 1, 2003, SCVWD will increase its purchased water rates from \$420/AF to \$460/AF and its pump tax rate from \$340/AF to \$375/AF.
2. SCVWD's increase in rates will result in a \$2,700,229 increase in purchased water costs, a \$2,535,316 increase in pump tax expenses and a \$25,618 increase in uncollectibles and franchise taxes for SJWC.

3. SJWC has requested to increase its quantity charge by \$0.0875/ccf to offset the \$5,261,163 in increased costs for purchased water, pump tax and related increases to uncollectibles and franchise taxes.
4. The Commission finds, after investigation by the Water Branch, that the changes hereby authorized are justified and the resulting rates are just and reasonable.

THEREFORE IT IS ORDERED THAT:

1. San Jose Water Company is authorized, effective July 1, 2003, to make effective revised Schedules No. 1, General Metered Service; No. 1B, General Metered Service, with Automatic Fire Sprinkler System; and No. 6, Resale Service, attached to Advice Letter No. 342, and to cancel the corresponding presently effective rate schedules.
2. San Jose Water Company is directed to maintain its balancing account as required by Public Utilities Code Section 792.5.
3. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on June 19, 2003; the following Commissioners voting favorably thereon:

WILLIAM AHERN
Executive Director

MICHAEL R. PEEVEY
President
CARL W. WOOD
LORETTA M. LYNCH
GEOFFREY F. BROWN
SUSAN P. KENNEDY
Commissioners